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SUBJECT: KAZAKHSTAN - PUBLIC SECTOR STRIVES TO CATCH UP WITH
PRIVATE SECTOR ON INTERNATIONAL FINANCIAL REPORTING STANDARDS

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Summary

¶1. During June 16-26, 2008, the USAID Accounting Reform Project provided a Training of Trainers (TOT) in the application of International Financial Reporting Standards (IFRS) to the lecturers of a newly established Ministry of Finance (MOF) training centre. The TOT capped a series of MOF-requested and USAID-financed seminars on the transition to IFRS and its application to the public sector which were held in 17 cities and delivered to 1,105 participants. On the private sector side, the USAID-supported Certified International Professional Accountants Examination Network (CIPAEN) completed its tri-annual examinations during June 27-30, 2008. The private sector response to the Certified Accounting Practitioner (CAP) and Certified International Professional Accountants (CIPA) programs is booming with exponential growth and increases in examination fees which have made the network fully sustainable. In Kazakhstan alone there are 4,532 CAP-qualified professional accountants. End Summary.

Background

¶2. The United States has consistently stressed the importance of accounting reform as a fundamental step to creating a market economy capable of attracting investment and countering a wide range of economic ills, such as corruption, tax fraud, and money laundering. USAID support for accounting reform in Kazakhstan is comprised of several critical components: 1) a legal/regulatory enabling environment for adoption and implementation of IFRS and International Standards of Audit (ISA); 2) training, testing, and certification of professional accountants (the CAP/CIPA program) and; 3) development of the institutions to support accountancy for a market economy.

Legal and Regulatory Environment

¶3. The accounting and financial reporting system in Kazakhstan first received attention with the President's 1995 decree on the Law on Accounting of the Republic of Kazakhstan, but little happened until the Kazakhstani government mandated the following dates for transition to IFRS: January 1, 2003 for financial institutions; January 1, 2005 for joint-stock companies; and January 1, 2006 for other entities. January 1, 2008 was targeted for SMEs to choose between National Accounting Standards and IFRS, based on the International Accounting Standards Board's 2007 exposure draft. From January 1, 2008, following a failure of compliance with earlier decrees, all companies, irrespective of size, were required to report under IFRS full or IFRS modified (in accordance with the IASB exposure draft), if applicable. State enterprises and budget ministries will report under IPSAS (International Public Sector Accounting Standards) at a time stipulated by the government at some

point in the future.

Kazakhstani Government Efforts to Promote IFRS

¶4. In 2005, the MOF initiated seminars and conferences on preparation of financial statements in compliance with IFRS in order to assist and facilitate the transition to IFRS in the real sector of the economy. This was followed by a period of inactivity and uncertainty until USAID, at the request of the MOF, conducted a series of seminars during January-April 2008 on issues pertaining to the preparation of financial reporting in compliance with IFRS -- "Transition to IFRS and Application to the Public Sector" -- which was attended by leading specialists from auditing firms. These seminars were delivered in 17 cities to 1,105 participants. Following this successful program, the MOF requested a TOT program for the lecturers of a government training center which the MOF is opening to train its own staff in the use and application of IFRS. In response to this request, during June 16-26, 2008, the USAID Accounting Reform project conducted a TOT and trained 15 potential lecturers for the MOF training center. The lecturers received training in the area of IFRS and teaching methodology.

Training, Testing, Certification of Professional Accountants

¶5. The key to private sector adoption of IFRS is the establishment of an independent Russian-language testing and certification program. In 2001, USAID began establishing such a program (CIPA) in nine countries of the former Soviet Union, including Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Turkmenistan, Ukraine, Russia, Belarus, and Moldova. The CIPA Program comprises a set of seven core accounting exams plus a take-home course/exam on Management

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Information Systems (MIS). In addition to IFAC's International Education Standards, the CIPA Program is based on the model global accounting curriculum developed by the United Nations Council on Trade and Development/Intergovernmental Expert Working Group on International Standards of Accounting and Reporting (UNCTAD/ISAR).

¶6. While training providers for the CIPA training courses originally received USAID support, since 2006 the training has been fully implemented by the private sector. Today there are over 60 training providers in Kazakhstan. Likewise, examination fees originally set at zero have been raised in Kazakhstan to \$120 and now generate significant income that is used to expand markets and strengthen associations. Due to its international origins and focus on the highest world standards, the CIPA program has gained substantial recognition region-wide. To date, more than 7,200 individuals in Central Asia have earned the entry level CAP designation, and 119 are qualified for CIPA. Kazakhstan leads the region with 4,532 CAP-qualified professional accountants.

Institutions to Support Accountancy in a Market Economy

¶7. Since December 2001, USAID has supported the establishment and operations of the Eurasian Council of Certified Accountants and Auditors (ECCAA). During this period, ECCAA has become a regional grouping of the International Federation of Accountants (Kazakhstan was named to the Developing Nations Committee) and has grown to comprise 32 accounting and auditing associations from 11 member countries across the CIS, with its headquarters in Almaty. USAID has fostered a relationship between ECCAA and the Institute of Chartered Accountants of Scotland (ICAS), the oldest professional institute of accountancy in the world, which has sound governance and necessary technical skills and experience to provide support to ECCAA.

¶8. On December 21, 2007, USAID signed a Memorandum of Understanding in which USAID acknowledged the effective control by ECCAA of the

CIPA Educational Network. The last stage of USAID's support for accounting reform will be to facilitate an alliance among ECCAA, recognized accounting bodies, and international accounting firms to ensure the institutional sustainability of ECCAA.

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